

CITY OF ALTOONA

**INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2004

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CITY OF ALTOONA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Timothy J. Burget	Mayor	Jan 2008
Matt Davenport	Mayor Pro-Tem	Jan 2008
Josiah (Skip) Conkling	Council Member	Jan 2006
Stacey Warren	Council Member	Jan 2008
Charles Franklin	Council Member	Jan 2006
Joe Riding	Council Member	Jan 2006
Jeffery Mark	City Administrator	Indefinite
Randy Pierce	Clerk/Finance Officer	Jan 2005
Robert Laden	Attorney	Jan 2005
Wendell Harms	Attorney	Jan 2005



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Altoona's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona at June 30, 2004, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 28, 2004 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the aforementioned financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 22%, or approximately \$2,031,000, from fiscal year 2003 (FY03). Property tax increased approximately \$892,000 due to increased property valuations.
- City program disbursements decreased .01%, or approximately \$1,227,500, from FY03. Debt service expense increased approximately \$614,549.
- The City's governmental funds' cash balance at June 30, 2004 increased more than 23%, or approximately \$1,137,659, from June 30, 2003.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefitting the City.

Reporting the City as a Whole

The statement of activities and changes in cash balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the statement of activities and changes in cash balance.

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Basic of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage and recycling funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Government Activities

The City's cash balance for governmental activities has increased from a year ago, increasing from \$5.094 million to \$6.186 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 1,257	\$ 700
Operating grants, contributions and restricted interest	1,256	1,079
Capital grants, contributions and restricted interest	640	534
General receipts:		
Property tax	6,304	5,412
Other City taxes	484	448
Grants and contributions not restricted to specific purposes	818	752
Unrestricted investment earnings	64	83
Bond proceeds	230	-
Other general receipts	161	174
Transfers, net	630	244
Total receipts and transfers	11,844	9,426
Disbursements:		
Public safety	2,468	2,288
Public works	1,072	1,681
Culture and recreation	2,389	1,279
Community and economic development	1,208	776
General government	344	390
Debt service	2,552	1,938
Capital projects	532	3,193
Total disbursements	10,565	11,545

Increase (decrease) in cash balance	1,279	(2,119)
Cash basis net assets beginning of year	<u>5,048</u>	<u>7,167</u>
Cash basis net assets end of year	<u>\$ 6,327</u>	<u>5,048</u>

The City's total receipts for governmental activities increased by 26 percent (\$2,477). The total cost of all programs and services decreased by approximately \$980,000 or .08 percent with no new programs added this year.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$70,000 next year.

The cost of all governmental activities this year was \$10.565 million compared to \$11.545 million last year. However, as shown in the statement of activities and net assets - cash basis on pages 11 and 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$7.413 million because some of the cost was paid by those directly benefitted from the programs (\$1,257,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.896 million). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$9,181,700 to approximately \$10,984,000, principally due to an increase in operating and capital grants, contributions and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,787,875 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 1,910	\$ 1,742
Sewer	1,791	1,594
Garbage	305	260
Recycling	88	-
General receipts:		
Water deposits	19	16
Unrestricted investment earnings	4	23
Other general receipts	296	281
Non-operating receipts	<u>4,681</u>	<u>-</u>
Total receipts	<u>9,094</u>	<u>3,916</u>
Disbursements:		
Water	2,475	1,543
Sewer	4,649	1,317
Garbage	284	270
Water deposits	14	14
Other	86	78
Transfers	<u>630</u>	<u>244</u>
Total disbursements and transfers	<u>8,138</u>	<u>3,466</u>

Increase in cash balance	956	450
Cash basis net assets beginning of year	<u>3,487</u>	<u>3,037</u>
Cash basis net assets end of year	<u>\$ 4,443</u>	<u>3,487</u>

Total business-type activities receipts for the fiscal year were \$9.094 million compared to \$3.916 million last year. This significant increase was due primarily to the increase in service and sales receipts and proceeds from bond issues. The cash balance increased by approximately \$956,000 from the prior year. Total disbursements for the fiscal year increased by approximately 131.69 percent to a total of \$7,465 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$10,770,643, an increase of more than \$2,235,000 above last year's total of \$8,535,690. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$410,248 from the prior year to \$2,548,018. Approximately \$164,600 of this increase was due to the increase in the assessed tax base of the City.
- The Road Use Tax Fund cash balance decreased by \$188,875 to \$184,233 during the fiscal year. This decrease was attributable to an increase of \$104,574 in roadway maintenance and an increase of \$58,338 in traffic safety expense.
- The Tax Increment Financing Fund increased by \$945,601 to \$1,948,913 during the fiscal year. Approximately \$442,000 of this increase was due to the increased taxable valuation in the district. The balance of the increase is the result of several new projects.
- The Debt Service Fund cash balance increased by \$22,363 to \$323,718 during the fiscal year. This increase was due to an increase in property tax. Bond principal and interest payments increased by \$614,548 in fiscal 2004.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$375,032 to \$1,790,468, due primarily to an increase in the sale of water and receipt of \$1,249,157 in bond proceeds.
- The Sewer Fund cash balance increased by \$529,715 to \$2,525,454, due primarily to the receipt of \$3,416,192 in general obligation bond proceeds.
- The Water Deposit Fund increased \$5,659 to \$53,605. This is due to the increase in the number of residents living in Altoona.
- The Garbage Fund increased \$26,624 to \$34,761. In November 2003 the rate charged was increased from \$6.79 to \$7.80.
- The Recycling Fund increased \$2,162 to \$21,454. In November 2003 the rate charged was increased from \$2.00 to \$2.20.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 30, 2004 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At year-end, the City had approximately \$19,750,000 in bonds and other long-term debt compared to approximately \$18,035,000 last year shown as follows:

Outstanding Debt at Year-End (Expressed in Thousands)		
	2004	2003
General obligation bonds	\$ 11,685	\$ 9,205
Urban renewal tax increment financing revenue bonds	3,485	3,905
Revenue notes	<u>4,580</u>	<u>4,925</u>
Total	<u>\$ 19,750</u>	<u>\$ 18,035</u>

The City's general obligation bond rating continues to carry an A2 rating, a rating that has been assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$11,685,000 is well below the City's \$14.890 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 1990 census stands at 44%. Unemployment in the county now stands at 4.0 percent. This compares with the state unemployment rate of 4.5 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2003 was 183.90. For the 12 month period that ended in July, the CPI-U increased 2.1 percent.

These indicators were taken into account when adopting the budget for 2005. Amounts available for appropriation in the budget are \$2.9 million, an increase of 7.0 percent over the final 2004 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to rise by approximately \$5.2 million. Increased wage and cost-of-living adjustments, increases in water and sewer construction and maintenance represent to largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$4,400 by the close of fiscal year 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8th Street S.E., P.O. Box 338, Altoona, Iowa 50009.

Basic Financial Statements

CITY OF ALTOONA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service and Sales	Operating Grants Contributions and Restricted Interest	Capital Grants and Contributions Restricted Interest	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 2,467,932	\$ 226,974	\$ 219,261	\$ -	\$(2,021,697)	\$ -	\$(2,021,697)
Public works	1,072,167	541,724	861,943	63,665	395,165	-	395,165
Culture and recreation	2,389,236	29,103	166,815	-	(2,193,318)	-	(2,193,318)
Community and economic development	1,208,469	38,101	-	-	(1,170,368)	-	(1,170,368)
General government	344,160	103,473	8,201	474,307	241,821	-	241,821
Debt service	2,552,061	81,924	-	-	(2,470,137)	-	(2,470,137)
Capital projects	531,572	235,321	31	102,126	(194,094)	-	(194,094)
Total governmental activities	10,565,597	1,256,620	1,256,251	640,098	(7,412,628)	-	(7,412,628)
Business-type activities:							
Water	2,475,353	1,909,819	12,567	-	-	(552,967)	(552,967)
Sewer	4,648,627	1,791,488	8,103	-	-	(2,849,036)	(2,849,036)
Garbage	283,802	305,498	-	-	-	21,696	21,696
Water deposits	13,791	-	19,450	-	-	5,659	5,659
Recycling	85,704	87,866	-	-	-	2,162	2,162
Total business-type activities	7,507,277	4,094,671	40,120	-	-	(3,372,486)	(3,372,486)
Total	<u>\$18,072,874</u>	<u>\$ 5,351,291</u>	<u>\$ 1,296,371</u>	<u>\$ 640,098</u>	<u>(7,412,628)</u>	<u>(3,372,486)</u>	<u>(10,785,114)</u>
General receipts:							
Property tax levied for:							
General purposes					2,575,120	-	2,575,120
Employee benefits					127,648	-	127,648
Tax increment financing					3,438,325	-	3,438,325
Debt service					162,779	-	162,779
Hotel/motel tax					484,003	-	484,003
Grants and contributions not restricted to specific purpose					818,404	-	818,404
Bond proceeds					229,651	4,665,349	4,895,000
Unrestricted investment earnings					63,756	16,410	80,166
Miscellaneous					161,203	278,108	439,311
Transfers					630,448	(630,448)	-
Total general receipts and transfers					8,691,337	4,329,419	13,020,756
Change in cash basis net assets					1,278,709	956,933	2,235,642
Cash basis net assets beginning of year					5,048,451	3,486,550	8,535,001
Cash basis net assets end of year					<u>\$ 6,327,160</u>	<u>\$ 4,443,483</u>	<u>\$10,770,643</u>

CITY OF ALTOONA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - CONTINUED

As of and for the year ended June 30, 2004

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Charges for Service and Sales	Operating Grants Contributions and Restricted Interest	Capital Grants and Contributions Restricted Interest	Governmental Activities	Business-type Activities	Total
Disbursements						
Cash Basis Net Assets						
Restricted:						
Debt service				\$ 323,718	\$ 950,347	\$ 1,274,065
Streets				184,233	-	184,233
Urban renewal purposes				1,948,913	-	1,948,913
Other purposes				1,181,228	-	1,181,228
Unrestricted				2,689,068	3,493,136	6,182,204
Total cash basis net assets				\$ 6,327,160	\$ 4,443,483	\$10,770,643

See notes to financial statements.

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	General	Special Revenue Road Use Tax	Tax Increment Financing	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:						
Property taxes	\$2,575,120	\$ -	\$ -	\$ 162,779	\$ 127,648	\$ 2,865,547
Tax increment financing collections	-	-	3,438,324	-	-	3,438,324
Other city tax	484,003	-	-	-	-	484,003
Licenses and permits	601,370	-	-	-	-	601,370
Uses of money and property	63,756	-	-	-	1,281	65,037
Intergovernmental	723,231	861,943	-	-	164,451	1,749,625
Charges for service	339,829	-	-	-	-	339,829
Special assessments	-	-	-	91,565	-	91,565
Hook up fees	-	-	-	-	335,747	335,747
Miscellaneous	912,736	-	-	-	100,426	1,013,162
Total receipts	5,700,045	861,943	3,438,324	254,344	729,553	10,984,209
Disbursements:						
Operating:						
Public safety	2,204,537	-	-	-	118,979	2,323,516
Public works	-	982,413	3,859	-	-	986,272
Culture and recreation	1,902,528	-	427,050	-	-	2,329,578
Community and economic development	425,711	-	782,758	-	-	1,208,469
General government	307,923	-	-	-	36,237	344,160
Debt service	-	-	-	2,552,061	-	2,552,061
Capital projects	-	-	-	-	531,572	531,572
Total disbursements	4,840,699	982,413	1,213,667	2,552,061	686,788	10,275,628
Excess (deficiency) of receipts over disbursements	859,346	(120,470)	2,224,657	(2,297,717)	42,765	708,581
Other financing sources (uses)						
Bond proceeds	-	43,439	186,212	-	-	229,651
Operating transfers in	81,924	-	94,443	2,402,004	-	2,578,371
Operating transfers (out)	(531,022)	(111,844)	(1,559,711)	(81,924)	(94,443)	(2,378,944)
Total other financing sources (uses)	(449,098)	(68,405)	(1,279,056)	2,320,080	(94,443)	429,078
Net change in cash balances	410,248	(188,875)	945,601	22,363	(51,678)	1,137,659
Cash balances beginning of year	2,137,770	373,108	1,003,312	301,355	1,232,906	5,048,451
Cash balances end of year	\$2,548,018	\$ 184,233	\$1,948,913	\$ 323,718	\$1,181,228	\$ 6,186,110

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	General	Special Revenue		Debt Service	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Tax Increment Financing			
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ -	\$ 323,718	\$ -	\$ 323,718
Unreserved:						
General fund	2,548,018	-	-	-	-	2,548,018
Special revenue funds	-	184,233	1,948,913	-	189,207	2,322,353
Capital projects funds	-	-	-	-	992,021	992,021
Total cash basis fund balances	<u>\$2,548,018</u>	<u>\$ 184,233</u>	<u>\$1,948,913</u>	<u>\$ 323,718</u>	<u>\$1,181,228</u>	<u>\$6,186,110</u>

See notes to financial statements.

CITY OF ALTOONA

RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
Governmental Funds

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 14) \$ 6,186,110

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

141,050

Cash basis net assets of governmental activities (page 12)

\$ 6,327,160

Net change in cash balances (page 14)

\$ 1,137,659

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of equipment purchases to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

141,050

Change in cash balance of governmental activities (page 12)

\$ 1,278,709

See notes to financial statements.

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds					Internal Service Fund
	Water	Sewer	Water Deposits	Garbage	Recycling	Equipment Replacement
Operating receipts:						
Charges for service	\$1,909,819	\$1,791,488	\$ -	\$ 305,498	\$ 87,866	\$ 4,094,671
Use of money and property	2,210	2,050	-	-	-	4,260
Miscellaneous	240,060	49,530	19,450	4,928	-	313,968
Total operating receipts	2,152,089	1,843,068	19,450	310,426	87,866	4,412,899
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Business-type activities:	1,165,389	4,389,784	13,791	283,802	85,704	5,938,470
Total operating disbursements	1,165,389	4,389,784	13,791	283,802	85,704	5,938,470
Excess (deficiency) of operating receipts over (under) operating disbursements	986,700	(2,546,716)	5,659	26,624	2,162	(1,525,571)
Non-operating receipts (disbursements):						
Investment interest	10,357	6,053	-	-	-	16,410
Bond proceeds	1,249,157	3,416,192	-	-	-	4,665,349
Debt service	(1,291,683)	(234,865)	-	-	-	(1,526,548)
Total non-operating receipts	(32,169)	3,187,380	-	-	-	3,155,211
Excess of receipts over disbursements	954,531	640,664	5,659	26,624	2,162	1,629,640
Other financing sources (uses):						
Operating transfers in	1,291,683	234,865	-	-	-	1,526,548
Operating transfers (out)	(1,871,182)	(345,814)	-	-	-	(2,216,996)
Total other financing sources (uses)	(579,499)	(110,949)	-	-	-	(690,448)
Net change in cash balances	375,032	529,715	5,659	26,624	2,162	939,192
Cash balances beginning of year	1,415,436	1,995,739	47,946	8,137	19,292	3,486,550
Cash balances end of year	\$1,790,468	\$2,525,454	\$ 53,605	\$ 34,761	\$ 21,454	\$4,425,742

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds						Internal Service Fund Equipment Replacement
	Water	Sewer	Water Deposits	Garbage	Recycling	Total	
Cash Basis Fund Balances							
Restricted for equipment replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,791
Restricted for debt service	486,969	463,378	-	-	-	950,347	-
Unrestricted	1,303,499	2,062,076	53,605	34,761	21,454	3,475,395	-
Total cash basis fund balances	\$ 1,790,468	\$ 2,525,454	\$ 53,605	\$ 34,761	\$ 21,454	\$ 4,425,742	\$ 158,791

See notes to financial statements.

CITY OF ALTOONA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
Proprietary Funds

As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 16) \$ 4,425,742

*Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

17,741

Cash basis net assets of business type activities (page 12) \$ 4,443,483

Net change in cash balances (page 16) \$ 939,192

*Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

17,741

Change in cash balance of business type activities (page 12) \$ 956,933

See notes to financial statements.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, Intergovernmental Metro Design Policy, SEP Rural Water District, HAZ-MAT Services, Sec Taylor Stadium, WRA Metropolitan Solid Waste Agreement, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, SEP School district, Snow Removal for various locations, Traffic Signal lights for Highway 65 and Road surfacing at various locations, Convention and Visitors Bureau, ICA, Des Moines Water Works, Fair Play Agreement, Iowa Tobacco Enforcement Compliance and WRA Facility Plan.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unreserved net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation debt.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Deposits Fund accounts for water utility deposits by residents.

The Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, all functions were within the budget guidelines.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City had investments at June 30, 2004 are as follows:

Type	Carrying Amount	Fair Value
U.S. government securities	<u>\$1,115,003</u>	<u>\$1,115,003</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$914,874 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) BONDS PAYABLE

Annual debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 1,395,000	\$ 436,436	\$ 400,000	\$ 148,372	\$ 1,795,000	\$ 584,808
2006	1,510,000	383,268	410,000	132,896	1,920,000	516,164
2007	1,530,000	332,064	440,000	122,044	1,970,000	454,108
2008	1,630,000	360,736	460,000	109,935	2,090,000	470,671
2009	1,620,000	302,184	445,000	96,425	2,065,000	398,609
2010	1,695,000	246,177	455,000	83,070	2,150,000	329,247
2011	1,515,000	193,780	460,000	68,788	1,975,000	262,568
2012	680,000	137,149	405,000	54,070	1,085,000	191,219
2013	445,000	124,261	215,000	45,250	660,000	169,511
2014	475,000	110,361	225,000	34,500	700,000	144,861
2015	510,000	95,274	240,000	23,250	750,000	118,524
2016	520,000	79,539	205,000	21,250	725,000	100,789

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(3) BONDS PAYABLE - CONTINUED

Year Ending June 30,	General	Obligation	Revenue		Total	
	Principal	Bonds Interest	Principal	Bonds Interest	Principal	Interest
2017	200,000	71,739	220,000	11,000	420,000	82,739
2018	210,000	63,739	-	-	210,000	63,739
2019	220,000	55,024	-	-	220,000	55,024
2020	235,000	45,674	-	-	235,000	45,674
2021	245,000	35,451	-	-	245,000	35,451
2022	260,000	24,549	-	-	260,000	24,549
2023	275,000	12,719	-	-	275,000	12,719
	<u>\$15,170,000</u>	<u>\$3,110,124</u>	<u>\$4,580,000</u>	<u>\$ 950,850</u>	<u>\$19,750,000</u>	<u>\$4,060,974</u>

The total interest expense paid for the year ended June 30, 2004 was \$898,610.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount is approximately \$365,000 at June 30, 2004.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Sewer Revenue Bond Sinking Fund in an amount equal to the maximum amount of principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(3) BONDS PAYABLE - CONTINUED

- C. The City covenants to establish a Sewer Revenue Debt Service Reserve Fund. The reserve is to be partially funded from bond proceeds in an amount not to exceed 10% of the bond purchase price and funds on hand. The balance in the Reserve Fund shall equal the lesser of the maximum debt service or ten percent of the net bond proceeds on outstanding bonds and is approximated at \$315,000.

(4) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$206,152, \$167,871 and \$164,085, respectively, equal to the required contributions for each year.

(5) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$158,363
Compensation	<u>49,559</u>
Total	<u><u>\$207,922</u></u>

This liability has been computed based on rates of pay as of June 30, 2004.

(6) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(6) INTERFUND TRANSFERS - CONTINUED

Transfer to	Transfer from	Amount
General	Debt Service: Special Assessment	\$ 81,924
Special Revenue: Tax Increment Financing	Capital Projects	94,443
Transfer to	Transfer from	Amount
Enterprise: Water Sinking Fund	Enterprise: Water	\$ 1,291,682
Sewer Sinking Fund	Sewer	234,865
Internal Service Fund: Equipment Replacement Fund	General Fund	381,021
	Special Revenue: Road Use Fund	50,000
	Enterprise: Water Fund	25,000
	Sewer Fund	35,000
Debt Service	General Fund	150,000
	Special Revenue: Road Use Fund	61,844
	Tax Increment Financing	1,559,711
	Enterprise: Water Fund	554,500
	Sewer Fund	<u>75,949</u>
Total		<u>\$ 4,595,939</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(7) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$4,238 during the year ended June 30, 2004.

(8) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

(10) CONSTRUCTION CONTRACTS

At June 30, 2004, the City had entered into construction contracts of approximately \$6,558,000 for various projects. At June 30, 2004 these projects will require future payments of approximately \$1,767,800 upon completion.

(11) IOWA EVENTS CENTER

The City has agreed to commit City funding for the financing of the construction of the Iowa Events Center Project located on and around the area adjacent to Veteran's Memorial Auditorium in Des Moines.

The City will provide a grant of \$291,774, to be used by the county for the project. The City grant is made to assist the county in project financing. The project is determined to benefit the residents of the City and the county.

The grant will be disbursed by the City on or before October 1, 2004 in the amount of \$36,471.75 and in the fiscal years 2005 through 2012.

(12) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit C. Cash balances at end of year are summarized as follows:

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(12) REVENUE RESERVE BALANCES - CONTINUED

	Water	Sewer	Garbage	Water Deposits	Recycling	Total
General operation	\$1,303,499	\$2,062,075	\$34,761	\$ 53,605	\$ 21,454	\$3,475,394
Sinking fund	31,375	5,673	-	-	-	37,048
Revenue reserve fund	455,594	457,706	-	-	-	913,300
	<u>\$1,790,468</u>	<u>\$2,525,454</u>	<u>\$34,761</u>	<u>\$ 53,605</u>	<u>\$ 21,454</u>	<u>\$4,425,742</u>

(13) ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statements Note Disclosures* were implemented during fiscal year 2003. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

(14) CORRECTION

Beginning cash balances in the general fund and the water fund have been restated to correct a prior period error. The water fund cash balance was increased by \$45,833 and the general fund cash balance was decreased by \$45,833.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTOONA

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Less Funds not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 2,865,547	\$ -	\$ -	\$ 2,865,547	\$ 2,739,653	\$ 2,739,653	\$ 125,894
Tax increment financing collections	3,438,324	-	-	3,438,324	2,956,127	2,956,127	482,197
Other city tax	484,003	-	-	484,003	477,122	477,122	6,881
Licenses and permits	601,370	-	-	601,370	273,000	393,000	208,370
Uses of money and property	65,037	4,260	-	69,297	117,300	117,300	(48,003)
Intergovernmental	1,749,625	-	-	1,749,625	1,323,700	1,758,700	(9,075)
Charges for service	339,829	4,094,671	-	4,434,500	3,953,794	4,303,794	130,706
Special assessments	91,565	-	-	91,565	-	100,000	(8,435)
Miscellaneous	1,348,909	313,968	-	1,662,877	1,108,965	1,108,965	553,912
Total receipts	10,984,209	4,412,899	-	15,397,108	12,949,661	13,954,661	1,442,447
Disbursements:							
Public safety	2,323,516	144,416	144,416	2,323,516	2,116,900	2,800,000	476,484
Public works	986,272	85,897	85,897	986,272	953,300	1,168,300	182,028
Culture and recreation	2,329,578	59,658	59,658	2,329,578	1,468,900	2,400,000	70,422
Community and economic development	1,208,469	-	-	1,208,469	912,260	1,362,760	154,291
General government	344,160	-	-	344,160	1,166,100	400,000	55,840
Debt service	2,552,061	-	-	2,552,061	1,937,189	2,800,000	247,939
Capital projects	531,572	-	-	531,572	2,865,816	1,865,816	1,334,244
Business-type	-	7,507,277	42,259	7,465,018	8,789,236	8,295,871	830,853
Total disbursements	10,275,628	7,797,248	332,230	17,740,646	20,209,701	21,092,747	3,352,101
Excess (deficiency) of receipts over disbursements	708,581	(3,384,349)	(332,230)	(2,343,538)	(7,260,040)	(7,138,086)	4,794,548
Other financing sources							
Investment interest	-	16,410	-	16,410	-	-	16,410
Bond proceeds	229,651	4,665,349	-	4,895,000	10,321,336	10,321,336	(5,426,336)
Other	199,427	(199,427)	-	-	(2,621,336)	(2,621,336)	2,621,336
Total other financing sources	429,078	4,482,332	-	4,911,410	7,700,000	7,700,000	(2,788,590)
Excess of receipts and other financing sources over disbursements and other financing uses	1,137,659	1,097,983	(332,230)	2,567,872	439,960	561,914	2,005,958
Balances beginning of year	5,048,451	3,486,550	-	8,535,001	7,990,099	7,990,099	544,902
Balances end of year	<u>\$ 6,186,110</u>	<u>\$ 4,584,533</u>	<u>\$ (332,230)</u>	<u>\$ 11,102,873</u>	<u>\$ 8,430,059</u>	<u>\$ 8,552,013</u>	<u>\$ 2,550,860</u>

See accompanying independent auditor's report.

CITY OF ALTOONA

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, non-expendable trust, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$883,046. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted.

Other Supplementary Information

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	Special Revenue		Capital Projects				
	Employee Benefits	Drug Enforcement Agency	Community Campus/ Aquatic	Westside Sewer	Sewer Plant Expansion	WRA Sewer Project	Total
Receipts:							
Property tax	\$127,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,648
Uses of money and property:							
Interest on investments	-	1,200	51	-	-	-	1,281
Intergovernmental:							
DEA funds	-	164,451	-	-	-	-	164,451
Hook up fees	-	-	-	85,204	-	250,543	335,747
Miscellaneous	-	-	-	-	-	100,426	100,426
Total receipts	127,648	165,651	51	85,204	-	350,969	729,553
Disbursements:							
Operating:							
Public safety	91,411	27,568	-	-	-	-	118,979
General government	36,237	-	-	-	-	-	36,237
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	382,660	148,912	531,572
Total disbursements	127,648	27,568	-	-	382,660	148,912	686,788
Excess (deficiency) of receipts over (under) disbursements	-	138,083	51	85,204	(382,660)	202,057	42,765
Other financing sources uses:							
Operating transfers (out)	-	-	(69,503)	-	-	-	(94,443)
Excess (deficiency) of receipts over (under) disbursements	-	138,083	(69,452)	85,204	(382,660)	202,057	(51,678)
Cash balances beginning of year	-	51,124	69,452	39,736	728,769	-	1,232,906
Cash balances end of year	\$ -	\$189,207	\$ -	\$ 124,940	\$ 346,109	202,057	\$1,181,228
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ -	\$ 189,207	\$ -	\$ -	\$ -	\$ -	\$ 189,207
Capital project funds	-	-	-	124,940	346,109	202,057	992,021
Total cash basis fund balances	\$ -	\$ 189,207	\$ -	\$ 124,940	\$ 346,109	\$ 202,057	\$1,181,228

See accompanying independent auditor’s report.

CITY OF ALTOONA

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Corporate Purpose Series 1995A	Sept. 1, 1995	4.90 - 5.00%	\$ 935,000	\$ 220,000	\$ -	\$ 220,000	\$ -	\$ 5,084	\$ -
Refunding Bonds Series 1995B	Sept. 1, 1995	4.90 - 5.40	830,000	315,000	-	315,000	-	7,608	-
Library Bonds Series 1996A	Nov. 1, 1996	5.00 - 5.30	3,700,000	3,140,000	-	140,000	3,000,000	162,850	-
Refunding Bonds Series 1996B	Nov. 1, 1996	5.00 - 5.20	2,370,000	1,990,000	-	285,000	1,705,000	100,355	-
Water Bonds Series 1997	Nov. 1, 1997	4.35 - 4.85	1,700,000	1,370,000	-	105,000	1,265,000	63,778	-
Corporate Purpose Series 2000	Oct. 1, 2000	4.40 - 4.75	2,800,000	2,170,000	-	230,000	1,940,000	99,550	-
Urban Renewal Series 2001	Apr. 1, 2001	3.50 - 4.10	4,700,000	3,905,000	-	420,000	3,485,000	148,458	-
Corporate Purpose Series 2003A	Oct. 20, 2003	2.50 - 4.625	3,940,000	-	3,940,000	165,000	3,775,000	84,378	-
				13,110,000	3,940,000	1,880,000	15,170,000	672,061	-
Revenue bonds:									
Water Refunding	Feb. 1, 1996	4.50 - 5.00	1,460,000	1,050,000	-	1,050,000	-	50,540	-
Water	Nov. 1, 1997	4.875 - 5.00	2,275,000	2,145,000	-	85,000	2,060,000	106,143	-
Sewer	Feb. 1, 2002	4.00 - 4.20	1,730,000	1,730,000	-	165,000	1,565,000	69,866	-
Water Refunding Series 2004	Mar. 3, 2004	1.40 - 3.15	955,000	-	955,000	-	955,000	-	-
				4,925,000	955,000	1,300,000	4,580,000	226,549	-
Total				\$18,035,000	\$4,895,000	\$3,180,000	\$19,750,000	\$898,610	\$ -

See accompanying independent auditor's report.

CITY OF ALTOONA

BOND MATURITIES

June 30, 2004

General Obligation Bonds													
Year Ending June 30,	Library Bonds Series 1996A		Refunding Bonds Series 1996B		Water Bonds Series 1997		Corporate Purpose Series 2000		Urban Renewal Corporate Purpose Series 2001		Corporate Purpose Series 2003A		Total
	Issued November 1, 1996		Issued November 1, 1996		Issued November 1, 1997		Issued October 1, 2000		Issued April 1, 2001		Issued October 20, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2005	5.00%	\$ 150,000	5.00%	\$ 285,000	4.40%	\$ 110,000	4.45%	\$ 240,000	3.50%	\$ 440,000	2.50%	\$ 170,000	\$ 1,395,000
2006	5.00	200,000	5.00	280,000	4.50	115,000	4.50	250,000	3.60	455,000	2.50	210,000	1,510,000
2007	5.00	200,000	5.00	275,000	4.50	115,000	4.55	260,000	3.75	475,000	3.00	205,000	1,530,000
2008	5.00	225,000	5.00	295,000	4.60	130,000	4.60	275,000	3.85	495,000	3.00	210,000	1,630,000
2009	5.10	225,000	5.10	285,000	4.70	160,000	4.65	290,000	3.95	515,000	3.00	145,000	1,620,000
2010	5.20	250,000	5.20	285,000	4.75	165,000	4.70	305,000	4.00	540,000	3.00	150,000	1,695,000
2011	5.25	250,000	-	-	4.80	225,000	4.75	320,000	4.10	565,000	3.25	155,000	1,515,000
2012	5.30	275,000	-	-	4.85	245,000	-	-	-	-	3.50	160,000	680,000
2013	5.30	275,000	-	-	-	-	-	-	-	-	3.50	170,000	445,000
2014	5.30	300,000	-	-	-	-	-	-	-	-	3.70	175,000	475,000
2015	5.30	325,000	-	-	-	-	-	-	-	-	3.85	185,000	510,000
2016	5.30	325,000	-	-	-	-	-	-	-	-	4.00	195,000	520,000
2017	-	-	-	-	-	-	-	-	-	-	4.00	200,000	200,000
2018	-	-	-	-	-	-	-	-	-	-	4.15	210,000	210,000
2019	-	-	-	-	-	-	-	-	-	-	4.25	220,000	220,000
2020	-	-	-	-	-	-	-	-	-	-	4.35	235,000	235,000
2021	-	-	-	-	-	-	-	-	-	-	4.45	245,000	245,000
2022	-	-	-	-	-	-	-	-	-	-	4.55	260,000	260,000
2023	-	-	-	-	-	-	-	-	-	-	4.625	275,000	275,000
Total		<u>\$3,000,000</u>		<u>\$1,705,000</u>		<u>\$1,265,000</u>		<u>\$1,940,000</u>		<u>\$3,485,000</u>		<u>\$3,775,000</u>	<u>\$15,170,000</u>

See accompanying independent auditor’s report.

CITY OF ALTOONA

BOND MATURITIES

June 30, 2004

Year Ending June 30,	Revenue Bonds						
	Water		Sewer		Water Refunding		Total
	Issued November 1, 1997		Issued February 1, 2002		Issued March 3, 2004		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2005	4.875%	\$ 90,000	4.00%	\$ 170,000	1.40%	\$ 140,000	\$ 400,000
2006	4.875	95,000	4.00	175,000	1.80	140,000	410,000
2007	4.90	100,000	4.00	185,000	2.20	155,000	440,000
2008	4.90	115,000	4.00	190,000	2.50	155,000	460,000
2009	4.90	120,000	4.00	200,000	2.70	125,000	445,000
2010	4.90	125,000	4.00	205,000	3.00	125,000	455,000
2011	4.90	130,000	4.10	215,000	3.15	115,000	460,000
2012	4.90	180,000	4.20	225,000	-	-	405,000
2013	5.00	215,000	-	-	-	-	215,000
2014	5.00	225,000	-	-	-	-	225,000
2015	5.00	240,000	-	-	-	-	240,000
2016	5.00	205,000	-	-	-	-	205,000
2017	5.00	220,000	-	-	-	-	220,000
		<u>\$2,060,000</u>		<u>\$1,565,000</u>		<u>\$ 955,000</u>	<u>\$4,580,000</u>

See accompanying independent auditor's report.

CITY OF ALTOONA

SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS

	Years ended June 30,			
	2004	2003	2002	2001
Receipts:				
Property tax	\$ 2,865,547	\$ 2,678,720	\$ 2,638,964	\$ 2,540,939
Other city tax - hotel/motel	484,003	447,529	371,667	374,962
Total property and other city tax	3,349,550	3,126,249	3,010,631	2,915,901
Tax increment financing collections	3,438,325	2,733,657	2,063,652	1,613,201
Licenses and permits	601,370	358,481	320,128	299,295
Use of money and property	65,037	129,639	341,603	570,852
Intergovernmental:				
Road use tax	861,943	842,356	828,610	675,499
Library	134,060	103,188	95,596	81,125
State allocation	15,198	100,022	105,488	88,647
Grants	537,972	417,608	56,621	121,630
Bank franchise tax	15,198	23,426	5,569	13,425
Drug enforcement	164,451	34,557	21,131	20,393
Miscellaneous	20,803	2,156	2,365	5,946
Total intergovernmental	1,749,625	1,523,313	1,115,380	1,006,665
Charges for service	5,351,291	4,371,909	3,532,950	3,299,916
Special assessments	-	-	4,205	5,655
Miscellaneous	5,753,320	854,790	1,347,754	1,188,364
Total	20,308,518	13,098,038	11,736,303	10,899,849
Disbursements:				
Public safety	2,467,932	2,287,810		
Public works	1,072,167	1,681,339		
Culture and recreation	2,389,236	1,278,648		
Community and economic development	1,208,469	776,225		
General government	344,160	390,571		
Debt service	2,552,061	1,937,512		
Capital projects	531,572	3,193,364		
Business-type activities	7,507,277	3,222,362		
Total	\$18,072,874	\$14,767,831	\$17,019,085	\$11,822,241

*

*

*These years were recorded using a chart of accounts based on the four programs of community protection, human development, home and community environment, and policy and administration.

See accompanying independent auditor's report.

CITY OF ALTOONA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
Federal Highway Administration			
Iowa Department of Transportation:			
Surface Transportation Program -			
Transportation Enhancement (STP-TE)	20.205	FTP-E-0132(610)= 8V-77	\$ 500,396
U.S. Department of Justice			
Drug Enforcement Administration:			
State and Local Task Force Agreement	16.585		<u>11,349</u>
Total			<u>\$ 511,745</u>

Basis of Presentation - The Schedule of Expenditures Federal Awards includes the federal grant activity of the City of Altoona and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Altoona, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 28, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-A-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Altoona's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 28, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Altoona, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. City of Altoona's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Altoona's management. Our responsibility is to express an opinion on the City of Altoona's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Altoona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Altoona's compliance with those requirements.

In our opinion, the City of Altoona complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described as Item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the City of Altoona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Altoona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Altoona's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-B-04 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-B-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 28, 2004

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepting accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office and Management Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Surface Transportation Program - Transportation Enhancement.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Altoona did not qualify as a low-risk auditee.

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-04 Petty Cash Approval - The City Hall petty cash reimbursement form is completed and paid without being reviewed or approved by a responsible person.

Recommendation - We recommend that Randy Pierce should approve all petty cash reimbursements prior to payment.

Response - We will review and approve all petty cash reimbursement requests.

Conclusion - Response accepted.

II-C-04 Library Petty Cash Deposits - The library receives more cash than it pays out. Excess funds are only deposited on a monthly basis. At the time of the surprise count on August 17, 2004, the count showed a balance of \$742.04. The petty cash fund is \$100.00.

Recommendation - We recommend that the library deposit on a more frequent basis. The change fund portion at the front desk should be maintained at a \$50.00 balance.

Response - We will deposit on a more timely basis and maintain a \$50.00 change fund at the front desk.

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-C-04 Library Petty Cash Deposits - Continued

Conclusion - Response accepted.

II-D-04 Transfers - Debt service/special assessment transfers in the amount of \$81,924.00 were not included in the transfers as approved in the minutes.

Recommendations - We recommend that all transfers be approved in the minutes.

Response - In the future, we will approve all transfers in the minutes.

Conclusion - Response accepted.

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

REPORTABLE CONDITIONS:

III-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.
- IV-C-04 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy J. Burget, Mayor	Conference, cell phone expense	\$ 592
Josiah (Skip) Conkling, Council member	Washington D.C. conference	\$ 1,750
Matt Davenport	Cell phone expense, computer	\$ 1,150
Joseph Pirillo, Council member	Conferences, cell phone expense	\$ 725
Keith White, Council member	Cell phone expense	\$ 21

CITY OF ALTOONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting :

IV-E-04 Business Transactions - Continued

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Mayor and the Council Members do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with Josiah (Skip) Conkling does not appear to represent a conflict of interest since it was in conjunction with The Greater Des Moines Partnership trip.

IV-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.

IV-H-04 Revenue Bonds - All provisions of the revenue bond requirements have been met.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-J-04 Capital Project - Revenue and expenditures related to construction of a trail project were recorded in the General Fund. Construction of capital items should be recorded in the Capital Projects Fund.

Recommendation - The City should adopt procedures that indicate significant acquisitions of fixed assets and construction of capital facilities are recorded in the Capital Projects Fund, unless it relates to an Enterprise Fund activity.

Response - The City will adopt such procedures.

Conclusion - Response accepted.